

CPD Occasional Paper Series

**The Ongoing WTO Negotiations on Agriculture:
Issues and Options for Bangladesh**

Paper 15

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The present paper, **The Ongoing WTO Negotiations on Agriculture: Issues and Options for Bangladesh**, has been prepared under the CPD programme on **Trade Policy Analysis and Multilateral Trading System**. This programme aims at strengthening institutional capacity in Bangladesh in the area of trade policy analysis, negotiations and implementation. The programme, inter alia, seeks to project the civil society's perspectives on the emerging issues emanating from the process of globalisation and liberalisation. The outputs of the programme will be available to all stakeholder groups including the government and policymakers, entrepreneurs and business leaders, and trade and development partners.

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List of Acronyms

AMS	Aggregate Measure of Support
ASEAN	Association of South-East Asian Nations (economic grouping of Indonesia, Malaysia, Thailand, Philippines, and others)
CAP	Common Agricultural Policy (of the EU)
CARICOM	Caribbean Community (econ. grouping of 14 Caribbean countries)
CUSFTA	Canada-US Free Trade Agreement
CVD	Countervailing Duty
DC	Developing Country
DME	Developed Market Economy
EU	European Union
IMF	International Monetary Fund
GSP	Generalized System of Preferences (used to describe lower-than-MFN tariff level applied to imports from DCs)
LDC	Least Developed Country
LMG	Like-minded group (a group of about 13 DCs)
MERCOSUR	Argentina, Brazil, Paraguay, Uruguay economic grouping
MFA	Multi-Fibre Agreement
MFN	Most-Favoured Nation (used to describe tariff level applied to imports from all other WTO member-countries not accorded preferential treatment)
NAFTA	North American Free Trade Agreement
NFIDC	Net-Food-Importing Developing Country
NTB	Non-Tariff (trade)Barrier
OECD	Organisation for Economic Cooperation & Development
PSE	Producer subsidy equivalent (or, more recently, “producer support estimate”)
SAARC	South Asian Association for Regional Cooperation (economic grouping of 7 countries)
S&DT	Special and Differential Treatment
SDC	Small Developing Country
SDR	Special Drawing Rights (of the IMF)
SIDS	Small Island Developing States
STE	State Trading Enterprise
SPS	(Agreement on) Sanitary & Phytosanitary (Measures)
SSG	Special (agricultural) safeguard
TBT	(Agreement on) Technical Barriers to Trade
TRIPs	(Agreement on) Trade-Related Intellectual Property (Rights)
TRQ	Tariff rate quota
US	United States
WTO	World Trade Organization

The Ongoing WTO Negotiations on Agriculture: Issues and Options for Bangladesh

1. INTRODUCTION

This paper is exploratory and suggestive. To a large extent arguments are developed from the point of view of a ‘generic’ developing country (DC)¹. Where possible, the interests of Bangladesh in particular are identified, but it is hoped that the paper will stimulate a discussion in which these can be much more thoroughly fleshed out --- in turn assisting those responsible for decisions about Bangladesh’s evolving negotiating positions and strategy.

The paper begins with a discussion of some general points of background relevance. It is assumed that the reader is already broadly familiar with the content of the Uruguay Round Agreement on Agriculture, including its structuring of disciplines in the three main areas of “market access”, “export competition” and “domestic support”².

It then provides a point-by-point review of the main negotiation agenda items in each of the three structural areas established in the Uruguay Round, plus some which fall outside the existing structure.

In Section 4., options for rules, for modalities and for “special and differential treatment” (S&DT) provisions which would address the concerns of developing countries are discussed. These options include ‘old’ provisions, already introduced in the Uruguay Round, and potential ‘new’ provisions.

By way of summary, a skeleton negotiating strategy is then put forward for consideration, in Section 5. The final section contains some conclusions.

2. BACKGROUND

2.1 NEW FOCUS ON CONCERNS OF DEVELOPING COUNTRIES (DCs)

Although the name has not been formally adopted, the new Doha Work Program is, in effect, the “Development Round”³. The breakdown in Seattle helped developed countries (DMEs for developed market economies) recognize that, in fact, developing countries (DCs) received relatively few benefits from the Uruguay Round, and that this situation must be redressed.

There are many more WTO member countries now and DCs form a clear majority. This means the negotiating dynamic must change. Officially, decisions are still made by consensus; in practice, the influence of each individual country varies—probably depending largely on the value of its trade and rather little on the size of its population.

¹ It should be recalled that, as a “least developed country” (LDC), Bangladesh is also a “developing country” (DC). In other words, LDCs are a subset of DCs. Thus, Bangladesh will automatically benefit from any “special and differential” (S&D) provisions made for DCs. Where further (even more favourable) S&D provisions are made for LDCs (which will not also be the case), then these will be the operative provisions in Bangladesh’s case.

² Readers unfamiliar with the Uruguay Round Agreement on Agriculture are referred to a summary of this Agreement prepared by the WTO Secretariat available on the WTO website and annexed to this paper.

³ See WTO (2001(a)).

2.2 MINIMAL BANGLADESH PARTICIPATION TO DATE IN AGRICULTURE NEGOTIATIONS

Like many developing country members at this point, Bangladesh has had no official involvement with any of the formal negotiating papers (G/AG/NG/W series) tabled during Phase 1 of the negotiations (up to March 2001). Nor has it been associated with any of the “non-papers” tabled during Phase 2 (April – Sept. 2001). The advantage of this situation is that Bangladesh’s hands are untied by previous commitments; all possible options can still be considered.

The recent speech of the Commerce Minister Amir Khasru Mahmood Chowdhury at Doha puts the general Bangladesh position on the record, but indicates nothing very specific in the agricultural area.

2.3 BANGLADESH’S TRADE WITH NEIGHBOURING COUNTRIES IS RELATIVELY SMALL

In 1999, about 3 percent of Bangladesh’s total exports were to other countries in the South Asia (SAARC) region, and about 18 percent of total imports came from within the region.⁴ These figures may be somewhat higher for agricultural products, particularly if unrecorded trade was taken into account.

Being effectively part of a larger continental market can have advantages of less year-to-year variability in prices (particularly for less-storable fruit and vegetable commodities subject to weather-related production fluctuations—e.g., potatoes). Of course this implies the development of an appropriate transportation and marketing structure as well as the mutual removal of trade restrictions. But it is one of the reasons why regional trade agreements (which go beyond the WTO) have proliferated in recent years (e.g., NAFTA, MERCOSUR, etc)

A country’s WTO negotiating strategy needs to take into account its existing commitments and future plans under regional trade agreements. Bangladesh participates in two regional trade agreements⁵ and has bilateral agreements (nearly all trade-oriented) with 31 countries. Its commitments under these in agriculture appear to be quite limited, at this point .

2.4 IMPLICATIONS OF A MORE LIBERAL TRADE REGIME: DIVERSIFICATION, NON-TRADE CONCERNS, FOOD SECURITY, ETC.

As a member of the WTO, Bangladesh is already committed to the principle of free trade. Freer trade generates more trade, and in both directions. It also means more specialization of production in those products for which the country’s resource endowment gives it a comparative advantage. Thus, on theoretical grounds, freer trade can at first sight appear to be directly at odds with a country’s goal of agricultural diversification. However, one can also find many examples where it is the distortions caused by existing trade restrictions—either of the same country or of its trading partners—which have caused a rather narrow existing production base. The disincentive

⁴ Samaratunga (1999), cited by Athukorala (1999, Table 10).

⁵ The South Asia Preferential Trading Arrangement (SAPTA) with the 6 other SAARC countries, and the Bangkok Agreement, under which some tariff concessions are extended to Korea, Sri Lanka & India (WTO, 2000)

to further agricultural processing in DCs caused by tariff escalation in DMEs is one glaring example of this.

In practice, the increased two-way trade induced by Free Trade Agreements (FTAs) between countries, where these have been implemented, has often involved increased two-way trade in the same product, with the specialization being manifested in the type of product, and without the industry in either country being wiped out (Canadian wine example under the Canada-US Free Trade Agreement - CUSFTA). Furthermore, the opening of foreign markets can potentially give Bangladeshi producers access to an effective demand for a wider variety of products than domestic consumers seek, e.g., for reasons of culture or income. So it is not clear *a priori* that freer trade is generally incompatible with agricultural diversification, though some types of previously protected primary production may well be harmed by it.

Another important point is that increased two-way trade blurs the distinction between net food (or agricultural) importers and net exporters. As many countries progress to being **both** significant gross exporters **and** significant gross importers, their overall **net** position matters much less. Of course some countries, like Japan, will always be predominantly agricultural importers, but in Bangladesh's case, with the resources it has, this may be less clear. At least it is fallacious to argue that, because it is now a net food importer, Bangladesh benefits from lower world prices and therefore should support the retention of distorting agricultural subsidies by the rich countries. This would be a recipe for depressing domestic production (which would cause the import bill to be higher) and for increasing domestic market instability.

Concepts like "non-trade concerns" and "food security" tend to mean different things to different countries, and must be defined more precisely in order to be meaningfully addressed in a new agreement. Many DCs are now suspicious of, and reluctant to support, the concept of "non-trade concerns", seeing it as a possible cover for unlimited farm support spending by some rich countries.

"Food security" tends to have several dimensions. For some countries the important element is a minimum degree of 'food self-sufficiency'. This may suggest the need for tariff protection, and/or the freedom to provide production incentives through government programs, but can hardly be seen to be consistent with the goal of free trade. There is also a problem of aggravated price instability when a freely-trading country's production fluctuates around 100 percent self-sufficiency (i.e., when the country flips back and forth between net-export and net-import positions for a given commodity).

Another food security concern may be reliability of foreign supplies (of food aid or commercial imports). This concern suggests the need for new disciplines on export restraints (like bans or embargos) as well as seeking commitments from donor countries for steady contributions to food aid (perhaps preferably in cash and/or multilateral form) as opposed to it being effectively used as a means of irregular surplus disposal. Also, disciplines may be required on the form in which food aid is provided, to prevent it being a disguised export subsidy, or having a price-depressive effect (damaging to producers) in the local market.

Yet another perceived dimension of the food security concern is sometimes the need to reduce large variations in the price at which food imports are available. This concern may be best addressed through rapid reductions in DME export subsidies, and in the remaining elements of effectively managed trade (tariff rate quotas, high applied tariffs,

etc.) among the DME countries, which exacerbate heavily these world market price swings. Until that happens, however, the landed price of food imports can be stabilized by varying the effective import charge; e.g., by invoking price-triggered safeguards, or by changing the applied ordinary tariff. Another option, in the case of storable commodities, may be to develop international stockpiles, although past experience has shown that such stocks are very difficult to manage.

2.5 THE BIG PICTURE: THE TILTED PLAYING FIELD

Most DCs are now very well aware that the playing field is currently tilted heavily in favour of the DMEs. While most DCs have export subsidy limits at zero and “amber box” domestic support limits at *de minimis* levels, many DME’s still retain rights to very high levels of export and domestic subsidies; subsidies which depress somewhat the levels of world market prices but also, and perhaps more importantly for developing countries, cause them to be less stable. These rights have been characterized as effectively “special and differential treatment for rich countries”.

Additionally, most DMEs continue to apply high tariffs for the more sensitive commodities, manage much of their trade via tariff rate quotas (TRQs) with prohibitive over-quota tariffs, and practise tariff escalation widely. In contrast, DCs, on the whole, do not have TRQ commitments (or have access to the associated “Special Safeguard” (SSG) mechanism), and apply tariffs at relatively modest levels, albeit enjoying the insurance of relatively high tariff bindings⁶.

It is apparent that these same DMEs would prefer to reduce their offending export subsidies, trade-distorting domestic support, and tariffs only gradually, while requiring DCs to keep their export subsidies at zero, to keep their AMSs at *de minimis* levels, and to reduce their tariff bindings rapidly to recently applied levels (or at least tighten the rules to deny the DCs flexibility in varying their applied tariff level underneath the binding).

Supporting their producers when world market prices plummet is a political imperative for most governments. Witness the large increases in farm support spending introduced by the US and Canada in the last few years in response to lower crop prices.

But when their producers are threatened with imports at low (and often subsidized) prices, most DCs’ governments can not afford to compensate them through direct payment programs as the DME countries can. Apart from their fiscal resources, DCs also differ greatly from DMEs in terms of the practical difficulties associated with targeted “green” programs, and the low limits they face on “amber” ones. In this situation, the only feasible means left for DCs to maintain some stability in domestic price (and/or producer income) levels is through (relatively cheap, or even revenue-generating) border measures.

⁶ DCs were given the option of nominating a “ceiling binding” in the Uruguay Round, rather than going through the rather laborious process of calculating a “tariff equivalent”, and then providing “minimum” and/or “current” access opportunities using the “tariff rate quota” mechanism. Most took up this option for most affected products. However, this then precluded them from using the “special safeguard” (SSG) mechanism, which was only made available to those countries “tariffing” (and for those products being tariffed) in the normal way. The SSG, which may be price-triggered or volume-triggered, is a mechanism by which countries may impose an import surcharge in a timely way to protect their domestic producers, if threatened by import surges.

Thus, increasing numbers of DCs are (very legitimately) arguing that, as long as DMEs continue to have access to the use of trade-distorting agricultural subsidies, DCs need to retain the right to some sort of effective border protection. In the absence of a practical alternative, such as general access to a SSG, this means for most keeping bound tariffs as high as possible. It is also worth noting that, unlike DMEs, DCs are in the main constrained to use their available border protection instruments as stabilizing measures, rather than for the purpose of permanently elevating domestic prices well above world market (import offer) prices. This because they also have consumers who spend a large portion of their income on food and so care a lot about the prices they have to pay for it, and whose interests must be balanced against those of producers.⁷ In DMEs, in contrast, consumer food price levels are of little political concern.

This imbalance in the level of agricultural protection currently permitted would appear to be the most fundamental issue separating DCs and DMEs at this time, and one on which there may be a potential for all DCs to agree and to push together to “level the playing field”. Some DMEs (e.g., the DME members of Cairns Group) are more willing to recognise it than others. It implies a clear linkage between what happens in the export competition and domestic support areas, on one hand, and what happens in market access, on the other, and illustrates that these different areas cannot be effectively negotiated in isolation any more.

This ‘S&DT by another name’ has served to perpetuate the situation which existed before the last round, with farm support of the rich countries still causing huge distortions in patterns of world agricultural production, consumption and trade. It has created a situation where the existing constraints on DC protection and support are generally much more severe than those under which DMEs must operate. DCs do not have a lot of negotiating leverage to change this situation if agriculture is negotiated in isolation. What they do have is generally high tariff bindings which many DMEs would dearly like to see reduced. DCs should therefore play these to maximum effect to achieve some ‘leveling of the overall playing field’, by linking any concessions in this area to concessions by DMEs in the export and domestic subsidies areas.

2.6 SCOPE OF NEGOTIATIONS

Analytical studies suggest that the biggest potential gains for DCs from multilateral trade liberalization would be generated in the agricultural product area. For example, Anderson et al (1999) estimate that OECD farm policies cause annual welfare losses of almost \$20 billion for DCs—more than three times the losses of DCs attributable to OECD countries’ import restrictions on textiles and clothing.

However, DCs have relatively little to ‘give’ in the agricultural area. They must think in terms of trading gains in agriculture for concessions in other areas. Conversely, many DME countries which are rather protectionist in the agricultural field will find it easier to make concessions in agriculture if they can point to ‘gains’ in other areas (e.g., Japan, EU). Thus, progress in the agricultural negotiations is likely to be more significant now that the scope of the negotiations has been expanded beyond the “built-in agenda” (Agriculture, Services and Intellectual Property (TRIPs)).

⁷ The average Bangladeshi household spends 62 percent of its income on food (FAO, 1997).

It would also appear to be in the interests of the Bangladeshi agri-food sector generally that negotiations are to begin on subsidies rules (especially relating to fisheries), industrial tariffs, and dispute settlement issues (WTO, 2001(a)). The Doha Declaration (para. 42) puts emphasis on the needs of LDCs in the market access area—specifying the objective of duty-free and quota-free access for LDC goods—and in the area of technical assistance.

In addition, the new “Decision on Implementation-related Issues and Concerns” (WTO, 2001(b)) puts considerable emphasis on the provision of assistance and adequate time to DCs in responding to SPS and TBT requirements of importing countries, and bringing customs valuation procedures into WTO-compliance. There is also an effort to ensure that DMEs show more restraint in initiating countervail actions against DCs, and more consideration for DCs in completing the implementation of the Textiles Agreement (MFA phase-out). The WTO will work towards a clarification of the Anti-Dumping Agreement, which will hopefully lead to fewer abuses of the spirit of the WTO rules in that area. The re-affirmed exemption for LDCs from export subsidy prohibition under the Subsidies and Countervail Agreement, may make adoption of a similar provision in the agriculture more likely.

3. AGRICULTURAL NEGOTIATION ISSUES AND TOPICS

Some issues on the current negotiating agenda are ‘left-overs’ from the Uruguay Round (UR), when they were recognized but intentionally left off the agenda (or rather, ‘swept under the carpet’) at that time. Others have arisen as difficulties in the course of UR implementation, and may be thought of as ‘revealed deficiencies’ in the UR outcome. Still others are new issues which have only arisen since the UR was completed. And finally, some agenda items are in the nature of existing (UR) modalities whose parameters have to be re-negotiated.

3.1 MARKET ACCESS

3.1.1 Tariff Rate Quotas (TRQs).

There are several TRQ-related issues which have featured prominently in the discussions to date. In large part, concerns arise because TRQ fill rates have generally been disappointing, suggesting that TRQ administration methods have themselves become a form of non-tariff barrier⁸.

Perhaps the most important TRQ issue for DCs generally is their lack of access to TRQ allocations. Many DMEs provide most or all of their TRQ amounts on a previously-negotiated, country-specific basis—often largely to other DMEs. It has been suggested that quotas which are not made globally-available should not be able to be counted towards TRQ amounts.

Even where TRQs are ostensibly made available on a MFN basis, the method of allocation can vary. Examples include import licences being provided on a ‘first come first served’ basis, or to historical importers, or to producer groups, or to a state-trading monopoly, or ‘on-demand’, or made subject to auction. In several cases, it appears that the in-quota tariff has simply been applied as an ordinary tariff, with no restrictions on

⁸ TRQ fill rates in OECD countries averaged only 65 percent in the 1995-98 period (OECD 2001).

the quantity⁹.

Other than administration mechanisms, TRQ issues include the following:

- what further expansion of TRQ amounts?
- what reductions in over-quota tariffs?
- elimination of, or what reductions in, "in-quota" tariffs?
- what degree of product aggregation in TRQ commitments is appropriate, and whether allocations restricted to a more narrow band of goods than specified in the commitment should be allowed?
- whether there should be a lower limit on the length of validity of import licences under TRQs?
- whether conditions such as end-use or local purchase requirements should be permitted to be attached to such import licences?

These issues thus somewhat overlap the discussions about how to address the phenomena of "tariff peaks" and "tariff dispersion" (see 3.1.4 below). The author is not clear as to whether these are important issues for Bangladesh specifically. The products involved are normally those produced in DME countries. (Is Bangladesh a potential exporter to Europe of sugar, bananas, manioc, arrowroot, salep, grain sorghum, sweet potatoes or dried onions, for example?)

3.1.2 Tariff Negotiation Approaches:

Formula versus product-by-product: A mixed approach was adopted in the Uruguay Round. Within the bounds of a formula which imposed minimum cuts on all tariff lines together with a simple average aggregate reduction, countries entered into bilateral bargaining using a "request and offer" approach to determine specific reductions for individual products.

Another dimension of this general issue is whether attempts should be made to negotiate internationally on a *sector-by-sector* basis. The term "zero for zero" has been used by advocates of this who see the potential for getting all tariffs eliminated in all countries in some commodity sectors (e.g., oilseeds). Opponents have argued that this approach would result in an increase in the general level of tariff dispersion between commodities.

3.1.3 Formula Issues.

To the extent that a formula is adopted, many other questions arise. For example, should the percentage cuts agreed apply to each and every product, or, as in the Uruguay Round, to the aggregate average of all product lines? If the latter, then should it be a simple average, as before, or a trade-weighted average? Should there again be a minimum percentage cut, applicable to all tariff lines, as well as an average cut. Arguably, if the average cut is merely a simple average as in the UR, then the minimum percentage will be the more important figure.

As discussed above, a key point for developing countries is whether any agreed reductions (in bound tariff rates) would begin from existing levels of tariff bindings or from existing (or recent past) levels of the corresponding applied tariff (the US has proposed the latter). Only those few DCs whose bound tariffs are already close to applied levels (like Egypt) are likely to be willing to accept the latter proposal.

⁹ Even here, under-fill often results, and measured nominal protection coefficient may be lower than the tariff applied (OECD 2001), which suggests that, in such cases, the in-quota tariff falls far short of the agreed Uruguay Round principle that it be at "low or minimal rate" ("Modalities" document, Annex 3, para. 14, GATT Secretariat, 1993).

3.1.4 **Tariff Peaks and Tariff Dispersion.**

Many countries still have a few bound agricultural tariffs at very high levels. This implies a differentiation in the level of protection between commodity groups which is arguably much more seriously trade-distorting than when the same average level of support and protection is applied evenly across all commodities. Countries like Japan with sensitive commodities and high “tariff peaks” tend to favour the flexibility of the product-by-product approach. For this very reason, it seems that this issue will only be effectively addressed if a formula approach to tariff reductions is adopted.

Suggestions for addressing this issue mainly involve either some form of leveling formula (e.g., like the “Swiss formula”, used for industrial tariffs in a previous Round) which would reduce higher tariffs by a higher percentage amount, or simply establishing an upper ceiling on all tariff bindings.

3.1.5 **Tariffication of Remaining (illegal) NTBs**

Some countries failed to tariffify some non-tariff barriers at the end of the UR as they were supposed to, according to the agreed modalities. In some cases, these were effectively ‘negotiated exceptions’, like minimum import prices for pork in Japan and for some fruits and vegetables in the EU, and the EU’s new cereals import regime. In some cases, particularly involving DCs, the failure to tariffify may have reflected a lack of understanding of the requirements. A possible example is the continued existence, in some countries, of discretionary (non-automatic) import licensing schemes, in some cases linked with local purchase or local content requirements. In yet other cases involving variable applied tariffs, such as price band schemes and seasonal tariffs, it can be reasonably claimed that the Uruguay Round agreement is ambiguous and needs clarifying¹⁰.

3.1.6 **Tariff Complexity**

The long-term WTO objective, for reasons of transparency, is to reach a point where all tariffs would be a simple *ad valorem* (percentage) tariff. Currently, several cases of combinations of specific and *ad valorem* tariffs exist. More seriously, several countries still apply various other border charges, in addition to the ordinary tariff (customs duty). The issue is whether some commitment to reduce or eliminate existing complex tariffs and/or to convert specific tariffs should be part of a new agreement.

3.1.7 **Importing State Trading Enterprises (STEs)**

Are more disciplines called for? In Bangladesh’s case the Sugar and Food Industries Corporation (BSFIC) is the sole importer of sugar¹¹. Do the activities of any STEs of other countries pose problems for any of Bangladesh’s agricultural exports ?.

3.1.8 **Special Agricultural Safeguard (SSG)**

These have been not much used and are not widely available, particularly to DCs. Some countries favour eliminating them altogether. Others propose extending their availability to all countries and more products. Still others would eliminate them for DMEs while making them available broadly to DCs as a S&DT provision. There have also been proposals for changing some of the existing details governing just how and when the SSG may be applied.

¹⁰ Specifically, the footnote to Article 4.2 of the Agreement on Agriculture.

¹¹ WTO (2000), p.53.

3.2 EXPORT COMPETITION

3.2.1 Export Subsidy Reductions.

Without any right to use export subsidies itself, the interest of Bangladesh, like that of most developing countries, would seem to be to achieve as rapid as possible elimination of the use of export subsidies by others, particularly DMEs. It is significant that hotly-contested wording referring to a “phasing out” of export subsidies was retained in the final Doha Declaration text, despite strong EU (French) opposition (WTO, 2001(a), para. 13). Export subsidies cause world prices to be lower and more unstable, by allowing exporting countries to maintain higher internal prices, thus stimulating production, and to maintain steady internal prices, by exporting varying amounts of domestic surplus. If a total elimination can not be achieved in this ‘round’, then a strong case may exist for tightening the existing commitments. For example, in addition to existing quantity and expenditure reduction commitments, binding limits could be imposed on ‘per unit export subsidy’ levels, which would mirror the per unit limits already existing on import taxes (tariff bindings). Also, the existing disciplines could be applied in a more disaggregated fashion, rather than at the “product group” level. Furthermore, the possibility for countries to “roll forward” any unused export subsidy entitlements could be removed. Another issue is whether to make further reductions from current limits or from recent use levels.

3.2.2 Export Subsidy Definitions

There is a widespread concern that the existing definition of “export subsidies” is not broad enough, and that several practices which are in effect export subsidies are escaping discipline. This is why examination of **export credits (and credit guarantees)**, the practices of **exporting state trading enterprises (STEs)**, and **food aid** practices are all being discussed in the context of the ongoing negotiations. As a recipient and importer, Bangladesh will have to assess whether it stands to benefit or lose from a tightening of the international disciplines in these areas. Clearly, these issues are of crucial importance to Bangladesh, from a food security perspective, and its negotiators will at least want to monitor closely developments in this particular debate. Bangladesh has no agricultural exporting STEs itself.

3.2.3 Export Restraints

Export restraints can include export bans, country-specific embargos, and export taxes (which may be fixed or variable). Current disciplines are recognized as weak. Many importing countries see the necessity for stronger disciplines, as a ‘security of supply’ issue. This would appear to be also in Bangladesh’s long-term interests. Bangladesh apparently still maintains several export prohibitions and restrictions in the agricultural area (e.g., oilseeds & edible oil, wheat, pulses, molasses, onions, and various types of live animals still appear on the “negative list”).¹² Therefore, any new disciplines in this area could potentially imply the need for policy changes by the Bangladesh government.

3.3 DOMESTIC SUPPORT

3.3.1 Total Domestic Support Limits or Reductions

It has been proposed that there should be a limit on total government spending in support of agriculture, which could be expressed as a percentage of the total value of agricultural production. This appears, to reflect in part, a concern about the tendency for unconstrained “green” box support to grow to high levels in some DME countries, which will not be conducive to a “level playing field” ever being reached. In part it seems also to reflect an uneasiness with the current “green box” criteria being somewhat arbitrary,

¹² WTO (2000), p.59-60.

and the AMS calculation being too complicated and so lacking in transparency and subject to manipulation.

3.3.2 Amber Box (AMS) Reductions.

Like most DCs, with its own limits already at the *de minimis* level, Bangladesh has nothing to lose and much to gain from heavy cuts in permitted levels of the more trade-distorting types of domestic support. Such cuts would impact almost entirely on DME countries, and would contribute to ‘leveling’ the currently ‘very tilted playing field’ (see discussion in Section 2.6 above). Some have suggested that future reductions begin from recent “current total AMS” levels, rather than from existing country limits.

3.3.3 AMS Definition.

Countries with a positive (non-zero) AMS limit have the flexibility to shift support as much as they like between commodities (and between “product-specific” and “non-product-specific” support). On the other hand, the *de minimis* limit faced by countries like Bangladesh is effectively a limit on product-specific support for each individual farm commodity. This results from the way the AMS is currently defined and calculated, and could be easily changed, either by applying AMS limits at a more disaggregated, commodity-by-commodity level for all countries, or by applying the *de minimis* limit at the aggregate level only. The current situation is inherently unfair and a change one way or the other would seem to be clearly in the interest of Bangladesh and most DCs.

3.3.4 Expanding either the ‘Green Box’ or the ‘Development Box’, or Raising the *de minimis* Percentage Level.¹³

Quite a lot has already been said by developing countries about the desirability of widening the scope for agricultural development or “food security” (probably production-stimulating) expenditures which could be made free of any commitment for reduction. However, the existing DC *de minimis* (10 percent of the value of production for “product-specific” support and another 10 percent for “non-product-specific” support) allows such a country to provide up to 20 percent of the value of production in “amber” (non-exempt) support, over and above whatever it provides in “green” (exempt) support. This is actually a relatively high level of support, and the reality is that most DCs in fact provide support well below the existing WTO *de minimis* levels¹⁴. This is because the fiscal limits for these poorer countries are in reality much more constraining than the WTO limits—a situation which seems unlikely to change for a long time. In this situation, it is difficult to see any real benefits arising from such countries being able to raise their WTO limits. And by not raising them, they are in a much stronger position to argue for a substantial reduction in the limits facing DME countries. Some countries favour tightening the Annex 2 criteria and narrowing the scope of the green box.

3.3.5 ‘Blue Box’

Another important domestic support issue concerns the ‘blue box’, invented at ‘the last minute’ in the Uruguay Round by the US and EU alone, in order to protect some of their own programs. The US has subsequently changed its programs and no longer has need of the ‘blue box’. Few would dispute that ‘blue box’ programs, which require some limits on production by individual farmers, are, nevertheless, ‘trade-distorting’ (perhaps less

¹³ The ‘Green Box’ is used here to mean domestic support measures which meet the criteria of Annex 2 of the Agreement on Agriculture. The ‘Development Box’, available to DCs only, includes programs defined in Article 6.2.

¹⁴ It is easy to show, with reasonable assumptions, that a country providing non-exempt support within *de minimis* levels (Total AMS = 0) may quite conceivably have an aggregate PSE in the order of 50 percent or more

than ‘amber box’ programs, but certainly more than ‘green box’ programs). For the EU, and a few other smaller countries, the ‘blue box’ now accounts for a significant part of that large amount of farm support expenditure which is not only trade-distorting, but which results in the huge imbalance between what DMEs and DCs are, in general, currently allowed to do. It is hard to see it as not being in Bangladesh’s and most DCs’ interests to be among those countries calling for an elimination of the ‘blue box’.

3.3.6 Technical AMS issues.

Some countries with above-*de minimis* AMS limits have complained about the erosion in the value of these limits due to heavy **inflation and/or exchange rate depreciation**, given that the AMS must be calculated using current currency units. Others have suggested that this should not be a problem as these countries have the option to express their limits and do their calculations using another, more stable, currency (e.g., US\$ or SDR). Perhaps this issue needs clarifying, but it does not affect the majority of DCs whose limits are at *de minimis*.

Another technical AMS issue which clearly does need clarifying has been raised by India, in particular. That is whether an effectively **negative ‘market price support’ component** (domestic product prices kept artificially below world market-equivalent levels) can be used to offset other positive components (e.g., fertilizer subsidies), in the calculation of the AMS. This may be of minor concern for Bangladesh, in that it could affect product-specific AMS calculations in a few commodity areas where domestic prices may be kept below import offer prices through the use of trade restrictions.¹⁵

A third issue concerns the **level of aggregation** of the AMS commitment. The UR Agreement resulted in a single numerical limit for each country, which has allowed some countries to increase non-exempt support in some commodity areas. Some feel that the limits should apply on a more disaggregated basis, such as the export subsidy limits do.

3.4 OTHER ISSUES

3.4.1 Peace Clause (Due restraint)

Article 13 of the Agreement on Agriculture makes “green box” measures free from threat of any countervail action by other countries, until 2004. Similarly, amber measures and export subsidies applied within a country’s WTO limits are ‘off-limits’ for certain types of GATT complaints during this period. It has been argued that this Article provides an incentive for countries to shift their support from amber to green types, and that countries are doing this. At issue here is whether the applicability of this Article should be extended beyond 2004, and whether the scope of the Article should be revised.

3.4.2 Environment & Animal Welfare Issues

There appear to be two main elements to this debate. One is whether the existing provisions of the Annex 2 criteria permitting direct payments to farmers for environmental purposes are sufficient. The other is whether countries which impose extra costs on their producers via environmental and animal welfare regulations should be permitted to somehow constrain imports of the same good from countries whose producers do not face the same costs. There is an agreement to begin somewhat limited negotiations on Trade and the Environment (WTO, 2001(a), para. 31), but it is not clear

¹⁵ For example, the Bangladesh Tariff Commission reportedly (WTO, 2000, Table IV.1) calculates negative effective protection for rice and cotton in several recent years.

that these particular issues will be addressed there. There may be pressure to deal with them in the agriculture negotiations.

3.4.3 Food Safety

Several trade disputes have arisen in recent years, reflecting technological advances, particularly in the area of biotechnology, and including genetically-modified organisms and products. Strictly, these are issues which fall under the scope of the Agreements on Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT), and revolve around the interpretation/use of the “precautionary principle” and the concept of compulsory labeling, respectively. Particularly important examples of these issues are the European Union's resistance to importing beef which has been produced using growth hormones, and to importing the products derived from genetically-modified crop varieties. These issues appear to be so important that, until new negotiations are begun in the SPS and TBT areas, there may be strong pressure to try to deal with them in the negotiations on agriculture. The issue of food safety is becoming increasingly important to consumers in DMEs. It would not be realistic for DCs to expect to be given exemption from DME food control standards. Those wanting to export food products to countries with higher food safety standards should accept the need for upgrading their own food control systems, while seeking as much financial and technical assistance as possible from the DMEs for this.

3.4.4 Geographical Appellations

This is one of several issues important to agriculture being addressed in the negotiations on Trade-Related Aspects of Intellectual Property Rights (TRIPs). There is now an agreement to negotiate a “multilateral system of notification and registration of geographical indications” covering wines and spirits (WTO, 2001(a), para. 18). Some European countries would like to extend the same provisions to a broader range of agricultural products. Many countries are not in favour. Some developing or transition countries may have an interest in this issue. For example, Georgia has an interest in stopping certain other former-soviet bloc countries from producing ‘counterfeit’ versions of some of its more famous wines. Does Bangladesh have any geographic regions which have established a reputation for producing unique types of tea, or spice, or some other crop, which can command a price premium on the world market, and for which Bangladesh would have an interest in preventing other countries from falsely labeling their product with a Bangladeshi appellation?

3.4.5 Biodiversity, Indigenous Rights & Intellectual Piracy

This is another set of TRIPs issues which impinge to a considerable degree on agriculture, although extending beyond it. One issue is the consistency of the current TRIPs Agreement with the Convention on Biological Diversity, now to be examined under the new work program for TRIPs (WTO, 2001(a), para. 19). Several cases have arisen where DME nationals or enterprises have taken plants or other life forms from DCs, and patented them or their extracts or traditional uses as their own (e.g., the Indian neem tree case). This has given rise to the concept of “intellectual piracy”, and a widespread feeling that the existing TRIPs Agreement needs clarifying or modifying to prevent this possibility. It is somewhat linked to another TRIPs requirement for countries to put in place legal protection for plant breeders rights, which many DCs are having difficulty in implementing.

4. SPECIAL & DIFFERENTIAL TREATMENT (S&DT) OPTIONS: BANGLADESH'S INTERESTS

As a cautionary note, it has been suggested that the more DCs are subject to special provisions and exemptions the less leverage and influence they can expect to have in negotiating the basic rules to which they will ultimately be obliged to fully adhere.¹⁶ Thus, it may be in their longer-term interests for DCs to show some restraint in their pursuit of S&DT. However, it now appears that many of the most important concerns for DCs can be addressed without creating rules or commitments which are different for DCs than for other countries; it would be sufficient just for DC's interests to be allowed to prevail on issues such as:

- the 'starting point' for tariff cuts (bound levels or applied levels);
- reduction or elimination of tariff escalation;
- clarification of the rules concerning the variation of applied tariffs over time (identification of which schemes involving variable applied tariffs are legitimate and which are not);
- achieving substantial reductions or elimination of export subsidies;
- substantial reductions in AMS limits and/or new total domestic support limits;
- 'blue box' elimination;
- rates of increase of minimum access amounts (TRQs) and of reductions in tariff peaks, in over-quota tariffs, in in-quota tariffs, and in managed trade generally.

Notwithstanding the above, some special provisions for DCs and for LDCs will undoubtedly also be desirable. Some countries are also calling for further differentiation in S&DT provisions, so that some would apply only to "net food importing" developing countries (NFIDCs) and some only to "small" developing countries (SDCs).

4.1 MARKET ACCESS AREA

4.1.1 Existing Provisions

The key market access S&DT provision of the Uruguay Round applying to Bangladesh, as one of the "least developed countries" (LDCs), is the exemption from reduction obligations on tariff bindings. Bangladesh might anticipate that some countries will resist the unconditional continuation of this provision in a new agreement. Some may suggest, for example, that it apply to tariff bindings only up to a certain level (say 100 percent) beyond which even LDCs should be making reductions, particularly if the concept of universally-applying ceiling limits on the level of tariff bindings is accepted as a means to reduce the incidence of tariff 'peaks'.

4.1.2 Retention of the Potential for (Stabilizing) Border Protection.

This may well be the most important negotiating issue for countries like Bangladesh, unless heavy trade-distorting subsidisation and protection by DME countries can be eliminated quickly, which seems highly unlikely. With relatively high tariff bindings, and the prospect of being once again exempt from reducing them, this point may seem to be less important for Bangladesh than for many DCs. However, it would seem to be in Bangladesh's longer-term interests to add its voice to the call for one of these options, and

¹⁶ One assumes that as the level of economic development of countries improve it will lead to "graduation".

at least to obtain a clarification of the rules concerning how applied tariffs may be varied over time. The issue has been discussed above in the Section 2.6. Several options present themselves as means to this end but they are not all mutually exclusive:

- Preserve tariff bindings at existing levels (or reduce them only minimally). Most DCs have agricultural tariff bindings which are well above their applied rates. Bangladesh's bound tariffs are particularly high, being at a uniform 200 percent across nearly all agricultural products. This situation may cause Bangladesh to be a particular target for those DMEs anxious to close the gap between bound and applied tariff levels in DCs (the gap is largely closed in the case of the DMEs, where most applied tariffs coincide with bound levels). It also means that Bangladesh has more scope than most DCs to agree to significant reductions in bound tariff levels while still retaining considerable effective 'room' for varying the level of the applied tariff. A desirable corollary to this implicit recognition of the rights of DCs to a continued use of a variably-applied ordinary tariff as a contingency protection instrument would be a clarification of the rules governing which forms of variable tariff mechanisms (currently ranging from seasonal tariffs, through 'sliding scale' and 'price band' schemes, to 'minimum import price' and other schemes involving the automatic imposition of variable border charges) are permissible and which are not.
- Provide general access for all DCs to a SSG-like instrument (at least for all sensitive products, which could be nominated in advance). In the Uruguay Round, the new SSG was only made available to countries "tariffing" (converting non-tariff barriers to their "equivalent tariff"), and only for the products concerned. With a few exceptions, it was only DMEs which implemented tariffication, and which now have rights to use the SSG. In general, the rules associated with the use of the broad safeguards (countervailing duties, anti-dumping duties) make them unsuitable for use by the DCs (too slow, costly, resource-demanding and cumbersome) for agricultural contingency protection. The SSG has the advantage that it can be implemented quickly, based on either a price trigger or an import volume trigger.
- Special Countervailing Duty (CVD) rules for DCs. Argentina and some other countries have recently suggested that DCs should have the right to impose countervailing duties (CVDs) without the normal requirements of investigating and proving (1) the existence of injury to the domestic industry, and (2) the causal link between foreign subsidies and this injury. They propose that the CVD would be automatically imposed against the products of a country having a right to use export subsidies and/or amber box domestic subsidies in excess of *de minimis* levels. This may be another option here.
- Formally link formula reductions in DC bound tariff levels to formula reductions in DME export subsidies and AMS levels. The simplest approach may be to negotiate the parameters attached to the reduction formulii in the three areas of tariffs (at least for DCs), export subsidies (all countries) and AMS (all countries) at the same time, ensuring that only substantial agreed reductions in the last two areas would be sufficient to trigger moderate reductions in the first. Another option may be to introduce the possibility of different reduction rates applying to different countries. For example, there could be a provision

that the required percentage reduction in tariff bindings for any given country would vary proportionately with the degree to which that country's AMS limits are above *de minimis*, and with the degree to which that country's export subsidy expenditure limits exceed zero, both expressed as a percentage of the total value of agricultural production.

4.1.3 Elimination of Tariff Escalation

The general tendency for countries to impose higher tariffs on progressively further processed forms of the same basic good has long been recognized as imposing serious economic costs on developing countries. In the case of Bangladesh, for instance, perhaps jute or tea or spices are exported in raw form, only to have considerable value added in other countries, via various further processing and packaging activities—activities which might more logically be located in Bangladesh were it not for the much higher foreign import tariffs which would then be faced on the exported items. Some European countries rate among the biggest agricultural product exporters in the world, largely on the basis of the value of the transformed cocoa and sugar (chocolate, confectionary, biscuits/cookies), coffee and tea (blended and packaged), etc. which they export, having previously imported the same in the raw form. Much scope exists, to their potential benefit, for relocating some of these processing activities in the DCs where the raw products originate. A necessary pre-requisite for this would appear to be to get rid of all instances of tariff escalation. Of course, processing interests in the DME countries can be expected to desperately oppose any such change. It can not be left to traditional product-by-product bilateral “request and offer” negotiations. The only chance for success here is to have it accepted as a general principle, and incorporated formally in a formula approach to tariff reductions.

Some DCs have in the past been induced to impose export restrictions on raw products as a means to counter the effects of other countries' tariff escalation, and to ‘keep the processing at home’. Further disciplines on export restrictions are proposed by some as part of the agenda under the “export competition” part of the negotiations. There is an obvious link here, and an opportunity for DCs to insist on the introduction of new disciplines on export restrictions being made conditional on the acceptance of the elimination of tariff escalation.

A cautionary note needed here is that many DCs also use tariff escalation. Bangladesh is one of these. Its average applied tariffs on food products are 16 percent at the first stage of processing, 23 percent at the semi-processed stage, and 29 percent at the fully-processed stage.¹⁷ It may be realistic to expect that DMEs would agree to accept to exempt DCs or LDCs from the elimination of escalation as a S&DT provision, but many DCs may themselves not be in favor of such an exemption.

4.1.4. Repeat Opportunity for Tariffication

Some DCs have reasonably argued that they did not have time to fully understand all the technicalities of the Uruguay Round Agreement when they compiled their schedules of commitments. As a result, some failed to convert into tariffs some of their existing NTBs which had become illegal, and some failed to specify (or roll into their ordinary tariffs) some “other border charges”. These countries are calling for a second opportunity for tariffication, now that they understand the technicalities better, which would effectively just allow them to exercise their rights already negotiated under the terms of the Uruguay

¹⁷ WTO (2000), Table AIII.2.

Round Agreement (i.e., 'to play catch-up'). This would imply revising some existing tariff bindings upward. With its own high tariff bindings, Bangladesh would probably be able to easily convert its remaining agricultural NTBs (e.g., discretionary import licences and other quantitative restrictions or bans on sugar, chicks and table eggs imports) to higher applied tariffs, even if a second opportunity for tariffication was not formally granted. Thus this issue may be of less concern for Bangladesh.

4.1.5. Elimination of Tariffs on All LDC Products in DME Markets

(Note: options 4.1.4, 4.1.5 and 4.1.6 below would not be relevant for Bangladesh if this option is adopted)

There may be a good chance that the recent unilateral EU tariff elimination on most products from LDCs can be made complete, and emulated by all other DMEs. It would obviously be in Bangladesh's interests to continue to lobby strongly for this. If unsuccessful here, then at least two of the next three options will become important for Bangladesh, and the potential benefits for this country will presumably be higher if any such concession is made only to LDCs, rather than to DCs more generally.

4.1.6. Minimize DC Tariff Preference Erosion, and Non-Discrimination in Preferences

In the Uruguay Round, there was no obligation for countries to extend the negotiated reductions in their MFN tariffs to the corresponding GSP and other preferential tariffs which existed at lower levels. Consequently a considerable erosion in these tariff preferences occurred. Several DCs have called for such preferences to be reinstated or preserved, as an S&DT provision, in a new agreement, to the extent that this is possible (i.e., to the point where the preferential tariff becomes zero). This idea would presumably have the support of Bangladesh. Perhaps of even more importance to Bangladesh, is the removal of tariff preferences which apply to only some DCs, thus discriminating against the others. The most obvious example of this is the tariff preference offered by the EU to African, Caribbean and Pacific (ACP) countries under the Lomé and Cotonu Agreements . As a non-ACP country, Bangladesh is discriminated against by such restricted preferences¹⁸.

4.1.7. Greater DME (MFN) Tariff Cuts (or Elimination) on Products of Interest to DCs or Just LDCs.

It has been suggested that a provision along these lines could be built into a general tariff reduction formula, as an S&DT measure. It would require an identification of, and agreement among all parties on the list of products to be included here. The required (minimum and average) percentage tariff cuts would then be at some negotiated higher level for those products on the agreed list.

4.1.8. Preferential TRQ Allocations to DCs or LDCs.

The possible new requirement that TRQ quantities be only made available on an MFN basis could include an exception to cover cases where country-specific allocations are made to DCs, or just to LDCs. This option is probably of little potential value to Bangladesh, as none or few of the products involved are those in which Bangladesh has an export interest.

¹⁸ These restricted preferences were only WTO-legal because they were covered by a waiver, which has now expired. A related issue, which might easily be drawn into the negotiations, is whether this waiver should be extended, as the EU and ACP countries are requesting.

4.2 EXPORT COMPETITION AREA

4.2.1 Existing Provisions

As a DC, Bangladesh is entitled to use of certain types of export subsidies until 2006 without being subject to reduction commitments¹⁹. As a LDC, Bangladesh would anyway be exempt from reduction commitments. However, its WTO schedule does not specify a limit on agricultural export subsidies, implying that it has reserved no right to use export subsidies other than those exempted for DCs. It appears that the only agricultural export subsidies recently granted by Bangladesh are in the “crash program” areas of flowers and certain fruits and vegetables, and include air freight and credit subsidies.²⁰ The main interest for Bangladesh in the current negotiations may be to maintain and extend the existing S&DT provisions applying to LDCs in this area.

4.2.2 New Provisions

Bangladesh will presumably also want to secure commensurate relief from any new disciplines or commitments on export subsidies or export credits. Another concern will be to try to ensure that any new disciplines on food aid are in Bangladesh’s interests.

4.3 DOMESTIC SUPPORT AREA

4.3.1. Existing Provisions

As a DC, Bangladesh is entitled to a *de minimis* limit of 10 percent of the value of farm production on product-specific amber support and an additional 10 percent on non-product-specific amber support. As its existing support is well below these limits, it does not really benefit from the exemption for LDCs from AMS reduction commitments (like most other LDCs). As a DC, it also benefits from the ability to exclude certain types of support programs, not covered by the ‘green box’, from its AMS calculations. These programs, specified in Article 6.2 of the Agreement, are sometimes referred to collectively as the ‘development box’. Presumably, the retention of these existing S&DT provisions in the domestic support area would be a minimum requirement for DCs and LDCs, respectively, in a new agreement.

4.3.2. Bigger ‘Development’ Box for DCs.

As already discussed (Section 3.3.4 above), few DCs are operating anywhere near their current limits for ‘amber’ box spending, so it is hard to see how most could possibly benefit, at least for a very long time, from a reclassification of some existing ‘amber’ programs as ‘exempt’. It is expected that this would be the case for Bangladesh as well.

4.3.3. Exemption from Anti-Dumping and/or Countervailing Duties.

It is conceivable that a renewed “peace clause” could include a S&DT provision along these lines, for agricultural exports from LDCs. Bangladesh could support such a concept if it felt that any of its agricultural product exports were at risk of such “trade remedy” action on the part of other countries.

4.4 OTHER AREAS RELATING TO S&DT

4.4.1 Technical and Financial Assistance.

At Doha, the Indian Minister suggested that, in the Uruguay Round, DCs had been “given a cheque which bounced”. It would seem that DME promises for future technical or financial assistance are easier to make than to keep. However, there may now be more

¹⁹ Agreement on Agriculture, Article 9.

²⁰ WTO (2000), p.69.

appreciation among DMEs of the genuine need for such assistance, and a genuine willingness to make certain such commitments in a more binding way. DCs should continue to push hard, and take care to ensure that the commitments are real.

4.4.2 Creation of a New International Financial Facility

There has been much dissatisfaction with the implementation of the two Marakesh “Decisions” on LDCs and net-food-importing developing countries (NFIDCs), respectively. A major underlying concern is that the removal of subsidies could cause international grain prices to be substantially higher, to the detriment of importing countries. One of the proposed means to address this situation has been the establishment of an international revolving fund on which LDCs could draw to finance their basic food imports in times of difficulty.

4.4.3 Graduation.

The fewer DCs which exist, the more valuable the preferential treatment to those which remain. It would seem to be very much in the interests of the poorer DCs, like Bangladesh to seek a clarification and tightening of the rules governing how long countries may continue to call themselves “developing” as they become richer. For one thing, the magnitude of S&DT concessions which the DMEs are prepared to make would surely rise if countries like Korea, Turkey, etc. were not included in the DC group.

5. POSSIBLE ELEMENTS FOR A NEGOTIATION STRATEGY

5.1 THE SETTING

5.1.1 WTO Negotiations are Not a Good Place to Look for Handouts

DME negotiators do not, in general, see multilateral trade negotiations as a mechanism for their countries to be dispensing aid to less fortunate countries. These countries all have their own foreign aid programs, and also help to finance the multilateral agencies like the World Bank, the IMF and various UN development agencies. There is a growing recognition of trade as a means to aid, but still a reluctance to depart, in trade negotiations, from the long-established principle of “reciprocity” of benefits, or to exchange general aid concessions for trade concessions. In addition, most governments and their negotiators operate with a very mercantilist mindset in the conduct of trade negotiations; exports are good, imports are bad.

5.1.2 Political Realities in DMEs (EU and US in particular)

Certain farm commodity groups are very powerful. Politicians will not say no to them unless there is a clear reason, such as to gain benefits for other groups in society who are even more powerful.²¹ Thus, if DME governments are to give up on farm protection and subsidies they must be given a good reason; appealing to economic theory or their sense of generosity probably will not yield much. Trade negotiations involve bargaining (‘good old-fashioned horse-trading’).

5.1.3 Importance of Negotiating Blocs/Coalitions

Negotiating practicalities (limited time, resources, etc) dictate that expressed positions of the more important traders will receive more attention. Small members have the right to their say, individually, but it is easy for other countries to ignore them. By negotiating as

²¹ A good example is during the Uruguay Round, when the threat of collapse of the negotiations brought pressure from EU industrial and services areas for reform of the CAP—in turn facilitating the EU’s willingness to accept some agricultural commitments in the multilateral negotiations.

a single bloc, the EU countries have for some time ensured a negotiating position at least equally powerful as that of the US.

In the Uruguay Round negotiations on agriculture, 14 “smaller agricultural exporting countries” (the “Cairns Group”) were able to put forward a common position on most issues and to have considerable influence on the outcome (collectively they accounted for more agricultural trade than the US). They did not, however, negotiate as a single bloc like the EU. The Cairns Group is again active in the current negotiations, having now expanded to 17 countries, all except 3 of which are DCs.²²

Another developing country grouping to have emerged includes Pakistan and Sri Lanka, as well as about 9 other African and Latin American countries (joined by India for their third position paper on market access). These are sometimes referred to as the “like-minded group” and include some of the most active members of the informal larger “South Group” which has been meeting regularly in Geneva, drawing on the assistance of a permanent ‘secretariat’.

On some issues an “African Group” of 41 countries have spoken with one voice. Already existing economic groupings like MERCOSUR, ASEAN and CARICOM have also put forward joint papers. A grouping of 9 “small island developing states” (SIDS) have tabled one formal paper. A grouping of 12 “transition countries” has tabled two papers.

There is some overlap in the above groupings; they are not mutually exclusive. Some small countries (e.g., Mauritius & Namibia) have participated actively and put forward some thoughtful and detailed papers. However, it is through their input into the African Group joint papers that they are likely to have any real influence.

The key point is that the DCs’ voice will be stronger and more influential to the extent that they can stand together and avoid division. Bangladesh might consider aligning itself with an existing grouping and working to influence the details of that group’s evolving position from within.

5.2 THE INITIAL PROCESS

5.2.1 Identifying What You Want From the Negotiations

Where do the potential benefits lie? Reference has already been made (Section 2.7 above) to analytical evidence that DCs in general have more to gain in agriculture than in any other area of the negotiations. The extent to which this is true for Bangladesh in particular has no doubt been the focus of examination within the country. It will be assumed here that there are at least significant potential benefits to be gained by Bangladesh from a successful agricultural outcome.

In agriculture, the answers to this question may include the following:

- better access to DME markets (lower tariffs, removal of tariff escalation) for own products while retaining existing bilateral or LDC preferences as much as possible;
- significant reduction or elimination of huge DME subsidies (export & domestic, possibly including ‘green’ ones)
- retention of own ability to protect producers against world market downswings;

²² The Cairns Group now includes the following: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.

- retention of maximum scope for own farm development spending (in support of food security, agricultural diversification, rural development, etc. goals);
- prevention of ‘environmental’, ‘food safety’, and other concerns becoming acceptable grounds for a new generation of agricultural protective measures;
- maximum access to agri-food sector technical assistance and food aid on favourable terms.

In other areas, they may include:

- new disciplines to remove the abuse of anti-dumping measures;
- new disciplines on and reduction of fisheries subsidies;
- bringing multinational corporations under effective and enforceable competition rules;
- amendment of TRIPs Agreement to protect against intellectual piracy and high-priced medicines;
- full implementation of UR commitments by DMEs;
- rationalisation of rules of origin to suit the modern trading realities (e.g., with respect to apparel);
- prevention of ‘environmental’ and ‘labor’ standards becoming legitimate grounds for a new generation of disguised protective measures;

5.2.2 Identifying What You Have That the Other Countries Want

Normally, those other countries will be willing to assist in this, while concealing as long as possible how much they are willing to ‘pay’. Again there will be answers in the agricultural field and answers in the broader field. The following are illustrative, not exhaustive.

In agriculture:

- high tariff bindings

In other fields:

- service industry access (e.g., financial services);
- TRIPs: intellectual property legislation/protection;
- trade facilitation (‘less red tape at the border’);
- TRIMs: more receptive, transparent and secure foreign investment conditions;

5.2.3 Deciding how Broad the Negotiations Must be for the Needed Trade-offs to Occur

This will depend on to what extent the answers to the previous two questions together yield a balanced or unbalanced list of ‘wants’ and ‘bargaining chips’ in each area. If, for example, Bangladesh (or a coalition group of countries) has more to **get** than to **give** in agriculture, then trade-offs between agriculture and other sectors may have to be contemplated. Each country must ask what combination of different areas is desirable to be included in a new round in order for a balanced overall result to emerge. In general, if the scope of negotiations is kept narrow the expected result will be smaller.

If it is decided that there is not scope to attain agricultural goals without trade-offs in other areas, then the next logical question is whether the present “built-in agenda”, including services and TRIPs as well as agriculture, provides enough scope for the necessary trade-offs on both sides. If the answer is yes, given resource constraints, it may be sensible for a DC to oppose a broader negotiation agenda. If the answer is still ‘no’, then support for a broader “round” makes more sense.

Although the decision to broaden the scope of the ongoing negotiations has already been taken at Doha, the commencement in some areas (investment, competition, government

procurement and trade facilitation – the so-called “new” or “Singapore” issues) has been deferred until after the next (5th) Ministerial Meeting, at which time the scope of each will be more clearly defined. Thus some flexibility about the overall scope of this “round”, and some opportunity for countries to seek to either broaden it further or to restrain it, still remains.

5.3 THE GENERAL STRATEGY

5.3.1 Decide Position on Preferred Scope for New Negotiations and Broad Objectives for Wording of the Launching Declaration

This step provides a basis for participation in the Doha process which has now already taken place. In deciding that it was in their interests to acquiesce to a broader set of negotiations than they would choose themselves, DCs clearly sought to make that decision conditional on firm DME commitments for full and timely implementation of their Uruguay Round Agreement obligations, and much stronger wording on technical and financial assistance obligations. In the SPS area, for example, DCs seem to have been able to wring a promise, in principle, to considerable new technical assistance in the area of food control system implementation. LDCs, including Bangladesh, achieved the inclusion of considerable wording referring to their special needs, and ministers’ intention that they receive particularly favourable treatment in the negotiations.

5.3.2 Seek Actively to Join and Build DC Negotiating Alliances.

There is a clear cost involved in this. It can be a very time-consuming process, and involve protracted and difficult negotiations about the group’s position even before getting to Geneva. However, the major players will want to deal with representative groupings, on both DC issues broadly and LDC issues more narrowly, and once an agreement is reached with such a grouping it will be very difficult for other individual countries to ask for something different. The best (perhaps only) way to influence the outcome is to be part of the group to begin with, and work from within to shape that group’s negotiating position.

5.4 THE STRATEGY IN AGRICULTURE SPECIFICALLY

5.4.1 Prioritize and Place Relative Values on Negotiation Goals as much as Possible.

For example, a priority ranking of some of the goals identified in 5.2.1 above may yield the following:

1. Concessions in the market access area (e.g., all DME tariffs and quotas on LDC products eliminated).
2. Special safeguard (SSG) or equivalent made broadly available to LDCs or DCs for sensitive commodities.
3. Elimination of export subsidies.
4. Major reduction in DME domestic support levels.
5. Expanded scope for agricultural development spending (via a bigger ‘development box’ or a higher *de minimis*).

5.4.2 Identify Which of These May Not Require the Expenditure of LDC “Negotiating Capital”

For example, it may be reasonable to expect that DMEs may agree to TRQ reform, a certain amount of AMS reduction and to export subsidy elimination solely due to pressure from within their own ranks. This may take care of issue 3 above. Achieving even more significant reductions in DME domestic support levels, the SSG or equivalent

concept, and the possible expansion of the “development box” or equivalent, are all DC issues broadly. It is unlikely that the LDC group collectively, much less individual LDCs acting alone, will be able to have much influence on the outcomes on these issues. Hence, it is probably better to leave the negotiation in this area to the broader DC groupings. Such a strategy would allow Bangladesh and other LDCs to focus most of their energies on pushing for the specifically LDC issues—such as item 1. in the above illustrative short list.

5.4.3 **Enter the Negotiations with Already Identified “Fall Back” and “Bottom Line” Positions on the Various Issues in Which Engaged.**

This requires a lot of prior work, especially if such things have to be hammered out among a group of countries. However, it is important for negotiators to anticipate counter-offers and to know exactly what they want and what they would be prepared to accept. For example, the issue of DMEs providing tariff-free access for goods from LDCs may appear to be rather straightforward and simple to deal with. Relative to most other issues it probably is. But even here, it can be anticipated that some DMEs will demand to have certain product exceptions, or may suggest that it applies only to primary agricultural products. Some DMEs, even if they accept the concept in principle, may suggest a long phase-in period. Others may respond that they are not willing to reduce tariffs to zero for LDCs, but would be prepared to entertain a new “GSP for LDCs” in which all tariffs would be set and bound at, say, 50 percent of their MFN level. This is really quite different, because it would serve to preserve relative levels of tariff escalation, whereas reducing tariffs to zero automatically eliminates escalation. It might be anticipated that DMEs, even if they are willing to grant this preferential treatment to LDCs, will be worried about the possibility of goods from other countries being channeled through LDCs, and may demand more severe “rules of origin”.

In general, what is “offered” will almost certainly fall short of what is “requested”, and even a simple issue like this can quickly become complicated. The LDCs, as demandeurs, will need to have thought through well what their responses will be to such possible “waterings down” of what is requested, and what, at the end of the day, they are willing to live with.

5.4.4 **Come to the Table With Specific Proposals.**

Closely related to the last point is the need for all participants in negotiations to provide their own specifics, including draft text for an agreement, in areas where they are the demandeurs. Take, for example, the concept of a bigger “development box”, specifying measures which would be subject to reduction (“non-exempt”; included in the AMS calculation) for DMEs but **not** for DCs. In the Uruguay Round Agreement, this box is quite small, and is identified in Article 6.2. Proponents of an expanded “development box” must go beyond the general to indicate how they would see it addressed in revised text (e.g., an expansion of Article 6.2, or a new Annex) and, more importantly, precisely which kinds of programs it would contain. On the latter point, a typology of programs based solely on the programs’ objectives is likely to be more difficult to ‘sell’ than a set of criteria dealing with program characteristics (the present Annex 2 model). The important thing is for DCs to take the initiative in drafting text in areas where they would like the Agreement on Agriculture to be revised, thus giving DME negotiating partners something specific to react to. If there are going to be any proposals for differential treatment for “products of interest” to, or “of particular sensitivity for” DCs then the products concerned will have to be the subject of agreement. In such cases, DCs should endeavour to find agreement among themselves about the contents of any such list, as a first step.

6. CONCLUSIONS

1. Bangladesh and other LDCs can support DCs in general on many issues of common interest in the agriculture negotiations; but it may be best to focus their own limited negotiating resources and ‘capital’ on the goal of obtaining extra S&DT concessions for the LDC group alone. An obvious example of this is the possibility of obtaining duty-free access for LDC goods into DME markets. In addition, there are, the existing LDC provisions, which could be extended, as well as many other additional avenues which could be explored. But it will be up to LDCs to identify these in a precise way.
2. DCs in general have a very valid complaint that the Uruguay Round did not yield a balanced outcome in agriculture. Their market access benefits have to date been minimal, while DME policies which create large distortions and instabilities on world markets have been allowed to remain. DCs are wise to insist on a linkage between outcomes in the three areas of export subsidies, domestic support and market access, and to at least resist significant reductions in their agricultural tariff bindings until DMEs show a willingness to really ‘bite the bullet’ in all three areas. Given the relative size of the potential benefits for DCs which analysts indicate could be derived from agricultural liberalization, these countries might also consider similarly linking progress in other areas of the negotiations to progress in agriculture. Broad DC solidarity will probably be important to this particular strategy.
3. Elimination of export subsidies, elimination of all cases of tariff escalation, significant reductions of tariff peaks, some sort of binding of tariff preferences, and substantial reductions in trade-distorting (or perhaps all) domestic support would all appear to be general DC goals which are realistically attainable at this point. To the extent that such general disciplines are adopted, DCs (and LDCs) will have to give careful consideration to the extent they would wish to claim exemption for themselves or, alternatively, to how their own programs and policies would be affected and what adjustments they themselves would have to make.
4. A very important need of developing countries, which has probably not received enough attention in the past, is that of retaining the ability to protect their producers against world market instability, using border measures. This is important because they have neither the fiscal resources nor the appropriate infrastructure to use direct payment programs to do this, as the DME countries. Such capacity should be retained at least as long as any distorting DME subsidies and protective measures remain, and arguably even until DCs themselves ‘graduate’ from the DC category; i.e., until they are rich enough to contemplate the direct payments alternative. Several options exist to address this need, of which one is to make some variant on the special agricultural safeguard (SSG) generally available to DCs. At least some DMEs can be expected to resist all these options strongly. Again, it seems likely that broad DC agreement and coordination will be needed for success here.
5. From the author’s perspective, few DCs, in contrast, have much to gain from an expansion of the “development box”, provided that the existing level of domestic support *de minimis* for DCs is not reduced. This is because a large number of the types of programs which DCs may want to have for food security, rural development, diversification, among others, would already fit into the existing “green” and “development” boxes, and so be free from reduction commitments.

For the rest, there is already the scope for DCs to spend up to 20 percent of the value of their agricultural production on “amber” programs without reaching the limits. This is far above the present levels of agricultural development budgets in DCs, and what they will conceivably be in the foreseeable future. Also, DCs have an opportunity here to learn from and avoid the mistakes made by many DMEs governments in the past of getting into very rich and fiscally-draining farm support programs from which it becomes so politically difficult to extricate themselves, even when they want to.

6. As a country with one of the highest levels of agricultural tariff bindings among DCs (200 percent for most lines), Bangladesh can expect to be a particular target for those DMEs who want to see a significant closing of the gap between bound rates and applied rates in DCs generally. That means that Bangladesh will have to pay particular attention to all proposals for tariff reduction modalities as they emerge (particularly to the extent that they are designed to reduce tariff peaks). Obviously, any suggestion that the starting point for reductions should be recent applied rates should be strongly resisted. A formula approach to tariff reduction would probably mean that Bangladesh is less isolated on this issue. Conceivably, on this and other issues the proposals being put forward by other DCs may risk causing particular problems for Bangladesh. In such cases it will be important for Bangladesh to work from within DC groupings to influence the detail of such proposals before they are tabled in Geneva, so as to minimize the potential damage to Bangladesh.
7. There may be some particular aspects of the agricultural negotiations (e.g. definition/scope – jute and jute products), or other negotiations closely related to agriculture (e.g., MFA/textiles/apparel, fisheries subsidies) where the interests of the Bangladeshi agri-food sector are important enough for it to take an initiative either internationally or nationally, or at least to be involved as an interested party in national level deliberations. In many areas, it can be left to other countries to take the lead and ‘do the leg work’ on issues of common interest, with Bangladesh just indicating its support at the appropriate time. On the other hand, some goals being pursued by a majority of DCs may create particular problems for Bangladesh. It would be important to identify such issues early, and to work within the DC grouping to find a formulation of a proposed modality or discipline which minimizes the potential downside for Bangladesh.
8. Bangladesh’s interests in the agricultural negotiations will almost certainly be best served by joining and working with LDC and DC coalitions, and influencing their proposals from within. This conclusion is reached despite the considerable extra cost in time and effort that such a strategy implies. Only very large economies can expect to have much influence on the final outcome if they work alone. There is definitely strength in numbers in trade negotiations.

ANNEX-1

Summary of the Uruguay Round Agreement on Agriculture²³

The negotiations have resulted in four main portions of the Agreement; the Agreement on Agriculture itself; the concessions and commitments Members are to undertake on market access, domestic support and export subsidies; the Agreement on Sanitary and Phytosanitary Measures; and the Ministerial Decision concerning Least-Developed and Net Food-Importing Developing countries.

Overall, the results of the negotiations provide a framework for the long-term reform of agricultural trade and domestic policies over the years to come. It makes a decisive move towards the objective of increased market orientation in agricultural trade. The rules governing agricultural trade are strengthened which will lead to improved predictability and stability for importing and exporting countries alike.

The agricultural package also addresses many other issues of vital economic and political importance to many Members. These include provisions that encourage the use of less trade-distorting domestic support policies to maintain the rural economy, that allow actions to be taken to ease any adjustment burden, and also the introduction of tightly prescribed provisions that allow some flexibility in the implementation of commitments. Specific concerns of developing countries have been addressed including the concerns of net-food importing countries and least-developed countries.

The agricultural package provides for commitments in the area of market access, domestic support and export competition. The text of the Agricultural Agreement is mirrored in the GATT Schedules of legal commitments relating to individual countries (see above).

In the area of **market access**, non-tariff border measures are replaced by tariffs that provide substantially the same level of protection. Tariffs resulting from this "tariffication" process, as well as other tariffs on agricultural products, are to be reduced by an average 36 per cent in the case of developed countries and 24 per cent in the case of developing countries, with minimum reductions for each tariff line being required. Reductions are to be undertaken over six years in the case of developed countries and over ten years in the case of developing countries. Least-developed countries are not required to reduce their tariffs.

The tariffication package also provides for the maintenance of current access opportunities and the establishment of minimum access tariff quotas (at reduced-tariff rates) where current access is less than 3 per cent of domestic consumption. These minimum access tariff quotas are to be expanded to 5 per cent over the implementation period. In the case of "tariffied" products "special safeguard" provisions will allow additional duties to be applied in case shipments at prices denominated in domestic currencies below a certain reference level or in case of a surge of imports. The trigger in the safeguard for import surges depends on the "import penetration" currently existing in the market, i.e. where imports currently make up a large proportion of consumption, the import surge required to trigger the special safeguard action is lower.

Domestic support measures that have, at most, a minimal impact on trade ("green box" policies) are excluded from reduction commitments. Such policies include general government services, for example in the areas of research, disease control, infrastructure and

²³ Taken from WTO Web site (www.wto.org).

food security. It also includes direct payments to producers, for example certain forms of "decoupled" (from production) income support, structural adjustment assistance, direct payments under environmental programmes and under regional assistance programmes.

In addition to the green box policies, other policies need not be included in the Total Aggregate Measurement of Support (Total AMS) reduction commitments. These policies are direct payments under production-limiting programmes, certain government assistance measures to encourage agricultural and rural development in developing countries and other support which makes up only a low proportion (5 per cent in the case of developed countries and 10 per cent in the case of developing countries) of the value of production of individual products or, in the case of non-product-specific support, the value of total agricultural production.

The Total AMS covers all support provided on either a product-specific or non-product-specific basis that does not qualify for exemption and is to be reduced by 20 per cent (13.3 per cent for developing countries with no reduction for least-developed countries) during the implementation period.

Members are required to reduce the value of mainly direct **export subsidies** to a level 36 per cent below the 1986-90 base period level over the six-year implementation period, and the quantity of subsidised exports by 21 per cent over the same period. In the case of developing countries, the reductions are two-thirds those of developed countries over a ten-year period (with no reductions applying to the least-developed countries) and subject to certain conditions, there are no commitments on subsidies to reduce the costs of marketing exports of agricultural products or internal transport and freight charges on export shipments. Where subsidised exports have increased since the 1986-90 base period, 1991-92 may be used, in certain circumstances, as the beginning point of reductions although the end-point remains that based on the 1986-90 base period level. The Agreement on Agriculture provides for some limited flexibility between years in terms of export subsidy reduction commitments and contains provisions aimed at preventing the circumvention of the export subsidy commitments and sets out criteria for food aid donations and the use of export credits.

"**Peace**" provisions within the agreement include: an understanding that certain actions available under the Subsidies Agreement will not be applied with respect to green box policies and domestic support and export subsidies maintained in conformity with commitments; an understanding that "due restraint" will be used in the application of countervailing duty rights under the General Agreement; and setting out limits in terms of the applicability of nullification or impairment actions. These peace provisions will apply for a period of 9 years.

The agreement sets up a **committee** that will monitor the implementation of commitments, and also monitor the follow-up to the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries.

The package is conceived as part of a continuing process with the long-term objective of securing substantial progressive reductions in support and protection. In this light, it calls for further negotiations in the fifth year of implementation which, along with an assessment of the first five years, would take into account non-trade concerns, special and differential treatment for developing countries, the objective to establish a fair and market-oriented agricultural trading system and other concerns and objectives noted in the preamble to the agreement.

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